TXT E-SOLUTIONS

OUTPERFORM

Sector: Industrials

Price: Eu26.50 - **Target: Eu47.40**

Excellent 4Q25 Results Increase Visibility on 2026 Projections

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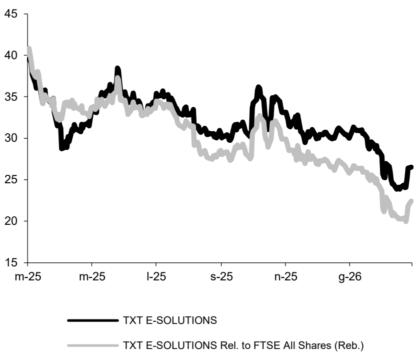
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2025E	**2026E**	**2027E**
Chg in Adj EPS	4.8%	1.2%	0.2%

Next Event FY25 Results
Results Out 12 March 2026

TXT E-SOLUTIONS - 12M Performance



Stock Data			
Reuters code:			TXTS.MI
Bloomberg code:			TXT IM
Performance	**1M**	**3M**	**12M**
Absolute	-5.0%	-11.5%	-31.7%
Relative	-5.2%	-17.8%	-51.2%
12M (H/L)			40.10/23.85
3M Average Volume (th):			36.77

Shareholder Data	
No. of Ord shares (mn):	13
Total no. of shares (mn):	13
Mkt Cap Ord (Eu mn):	345
Total Mkt Cap (Eu mn):	345
Mkt Float - Ord (Eu mn):	195
Mkt Float (in %):	56.7%
Main Shareholder:	
Enrico Magni (Laserline)	30.3%

Balance Sheet Data	
Book Value (Eu mn):	192
BVPS (Eu):	15.09
P/BV:	1.8
Net Financial Position (Eu mn):	-86
Enterprise Value (Eu mn):	422

Outperform confirmed, Eu47.4 target unchanged. The company reported a very strong set of 4Q25 preliminary results (17% organic revenue growth) and for 2026 announced the target of maintaining double-digit revenue growth. Hefty order backlog and a number of important licence agreements recently signed are providing good visibility. Amid the indiscriminate de-rating that recently hit the software and IT services industry, it is worth pointing out that TXT enjoys significant business exposure to highly regulated industries, such as aerospace and aviation, is mainly involved in mission-critical projects, and has a proven track record of adapting to innovation. In conclusion, we have slightly improved our 2026-27 estimates and we confirm our positive view on the stock. Full results out 12 March 2026.

- **4Q25 revenues and EBITDA much better than expected**. On 27 February, TXT reported preliminary FY25 revenues and EBITDA that showed excellent growth, beating consensus expectations. 4Q25 revenues were Eu113mn, +33% YoY, or +17% organic growth vs. +5.5% expected. All divisions did better than expected: the Smart Solutions division - 25% of quarterly revenues - grew 30% organically (vs. +13% expected); Digital Advisory - 17% of quarterly revenues - grew 5% organically (vs -4.9% expected); and the Software Engineering division - 57% of quarterly revenues - grew 16% organically (vs. 6.2% expected) despite the interruption of some non-core and other non-strategic activities in the Telco segment. The surprise was even more significant for EBITDA, which in 4Q25 was Eu19mn, up 70% YoY and 18% better than expected thanks to the positive contribution of acquisitions, synergies achieved, operating efficiency, and the cessation of lower margin one-off activities that occurred in 2024.
- **Management outlook and guidance.** CEO Daniele Misani confirmed the excellent positioning of TXT in strategic and highly regulated sectors such as aerospace, defence, public administration and IoT technology. Outlook is particularly promising in the Smart Solution segment, where the company recently signed important new contracts in the US (training and flight operations), but also thanks to important projects awarded in the industrial/IoT segment. For 2026, the CEO announced guidance for 10% organic revenue growth and EBITDA above Eu65mn (i.e. with a 15.0% EBITDA margin). On top of that, TXT is expecting to add Eu6mn to EBITDA via new M&A deals, likely to be announced in 1H26. Valuation multiples should remain around 6x EBITDA.
- **Change in estimates**. In light of better-than-expected results and the new guidance, we are raising our 2026 revenue forecast by 1.8%, and we now assume 9.6% (previously +8.7%) organic growth. We confirm the EBITDA margin at ca. 15.0% for 2026, fully in line with the 2027 guidance, which was confirmed. FY25 results will be approved on 12 March. We are expecting net debt of Eu114mn as at YE25; for FY26, we assume Eu32mn FCF, therefore we assume leverage (debt to EBITDA) will remain within 2.0x even after completion of the M&A programme.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	224	305	394	434	472
EBITDA Adj (Eu mn)	32	39	60	65	71
Net Profit Adj (Eu mn)	19	19	29	34	38
EPS New Adj (Eu)	1.550	1.482	2.304	2.642	2.979
EPS Old Adj (Eu)	1.550	1.482	2.198	2.610	2.973
DPS (Eu)	0.250	0.250	0.300	0.370	0.427
EV/EBITDA Adj	8.5	10.9	9.0	6.5	5.4
EV/EBIT Adj	13.0	16.8	13.5	9.1	7.4
P/E Adj	17.1	17.9	11.5	10.0	8.9
Div. Yield	0.9%	0.9%	1.1%	1.4%	1.6%
Net Debt/EBITDA Adj	1.6	2.8	1.9	1.3	0.7

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (**DCF**) model or similar methods such as a dividend discount model (**DDM**)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

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Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and - 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	31.58%
OUTPERFORM:	38.35%
NEUTRAL:	29.32%
UNDERPERFORM:	00.75%
SELL:	00.00%

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BUY:	53.42%
OUTPERFORM:	31.51%
NEUTRAL:	13.70%
UNDERPERFORM:	01.37%
SELL:	00.00%

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